1st Quarter Results

for the period ended March 31, 2013

April 30, 2013

Topics in This Report

- Revenue Analysis
- EBITDA Analysis
- Income Statement Analysis
- Cash Flow Analysis
- Balance Sheet Analysis
- Management Remark

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TWM consolidated

NT$bn	1Q13	4Q12	1Q12	QoQ	YoY
Revenue	26.56	26.39	24.76	1%	7%
EBITDA	7.46	7.65	7.58	-3%	-2%
Operating Income	4.99	5.15	5.18	-3%	-4%
Non-op. Income (Expense)	(0.28)	(0.27)	(0.19)	6%	51%
Pre-tax Income	4.70	4.89	4.99	-4%	-6%
(Less Tax)	(0.85)	(0.83)	(0.85)	2%	0%
(Less Minority Interest)	(0.05)	(0.06)	(0.09)	-20%	-46%
Net Income	3.81	4.00	4.05	-5%	-6%
EPS (NT$)	1.42	1.49	1.51	-5%	-6%

Results Highlights

Wireless data business (up 30% YoY), mobile handset sales (up 22% YoY), and online shopping business (up 64% YoY) were the main revenue catalysts in 1Q13.

We note that IFRS and fair value method regarding bundle sales have been applied starting 2013. In 1Q13, bundle sales revenue adjustments were NT$143m less than a year ago. If the aforementioned adjustments had been excluded, 1Q13 telecom service revenue and telecom EBITDA both would have actually grown by 2% YoY.

Lower telecom service revenue, as a result of seasonality and regulatory interventions, weighed on our consolidated EBITDA in 1Q13, compared to a quarter ago.

Compared to our 1Q13 guidance, our telecom service revenue met the target. Although we failed to meet our aggressive handset sales target, we still managed to generate better than expected profits from the handset sales business in the quarter. Therefore, our EBITDA was ahead of our 1Q13 forecast.

Asset write-off losses came in larger than expected in 1Q13 as we pulled in some of the write-off schedule. Having said that, consolidated net income reached 108% of our guidance.

2012 Earnings Distribution

TWM's board meeting today (April 30) approved a proposal to distribute NT$14.8bn of cash dividends and cash returns, comprised of 90% of 2012 earnings, NT$1.3bn of un-appropriated earnings and NT$269mn of legal reserve, translating into a 101% payout to shareholders. Dividend per share is NT$5.4 and cash return per share is NT$0.1, totaled NT$5.5 based on 2.69bn shares, excluding treasury shares held by 100%-owned subsidiaries.

Management Remark

Our efforts in committing resources over a wider range of areas continues to pay off as reflected in the 2% YoY EBITDA growth of the telecom business, when compared to our peers on a like-for-like basis. We will continue our endeavors to strengthen our market

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<All numbers provided in the tables are based on IFRS – fair value method, unless otherwise stated>

I. Revenue Analysis

Table 1. Key Operational Data

Revenue (NT$bn)	1Q13	4Q12	1Q12	QoQ	YoY
CBG[1]	**17.36**	**17.22**	**16.46**	**1%**	**5%**
Mobile Service	11.95	12.07	11.81	-1%	1%
-Voice	7.70	8.15	8.50	-6%	-9%
-VAS	4.25	3.92	3.31	8%	28%
IDD	0.61	0.59	0.70	4%	-12%
Device Sales	4.67	4.45	3.86	5%	21%
EBG	**2.59**	**2.68**	**2.61**	**-3%**	**-1%**
Mobile Service	1.06	1.07	1.01	-2%	5%
Fixed-line	0.88	0.92	0.95	-4%	-7%
ISR & Others	0.66	0.69	0.66	-4%	0%
HBG	**1.54**	**1.54**	**1.51**	**0%**	**2%**
- Pay-TV related	1.06	1.07	1.05	-1%	1%
- Broadband	0.28	0.28	0.26	3%	10%
- Content & others	0.19	0.20	0.20	-2%	-6%
momo & Others	**5.07**	**4.95**	**4.17**	**2%**	**21%**
- TV shopping & catalogue	2.22	2.15	2.39	3%	-7%
- Online shopping	2.65	2.57	1.62	3%	64%

	1Q13	4Q12	1Q12	QoQ	YoY
Mobile Subscribers (K)	**7,050**	**7,012**	**6,735**	**1%**	**5%**
- Data card	428	405	356	6%	20%
Consumer	6,676	6,654	6,429	0%	4%
Enterprise	374	358	306	5%	22%
Monthly Churn	**2.1%**	**2.0%**	**1.9%**		
MOU (bn)	**3.86**	**4.02**	**4.16**	**-4%**	**-7%**
Pay-TV Subs (K)	**581**	**580**	**577**	**0%**	**1%**
Cable Broadband Subs (K)	173	170	159	2%	9%
DTV Subs (K)	86	77	54	12%	60%

	1Q13	4Q12	1Q12	QoQ	YoY
Wireless					
ARPU (NT$) –post-paid (residual value)	799	806	789	-1%	1%
Cable MSO					
Basic TV ARPU (NT$)	494	501	505	-2%	-2%
Broadband ARPU (NT$)	546	545	546	0%	0%
DTV ARPU (NT$)	141	141	143	0%	-2%
Blended ARPU[1] (NT$)	776	776	759	0%	2%

1. Cable TV & broadband related revenue (excluding content agency) divided by its CATV subscriber number

CBG:

In spite of healthy growth momentum in the mobile internet business, 1Q13 voice revenue declined, resulted mainly from increased mandatory cuts in MTR (mobile termination rate) as well as MOU decreases.

At the end of 1Q13, mobile data adoption rate reached 44% of the postpaid installed base, rising from 32% a year ago. As a result, mobile broadband revenue rose 47% YoY. Wireless data revenue as a percentage of mobile service revenue reached 36% as of 1Q13, up from 28% a year ago.

In 1Q13, mobile IDD revenue's YoY decline came largely from severe competition in the prepaid market as well as a revenue squeeze resulting from messaging apps.

Handset sales expanded sequentially as more handset bundle contracts were sold during the quarter.

EBG:

Benefiting from the rise in the number of subscribers and higher smartphone adoptions, EBG's mobile service revenue rose 5% YoY in 1Q13. Legacy fixed-line revenue was still under pressure.

HBG:

CATV basic subscription monthly fee was downward adjusted by local governments in two out of our three operating areas. However, increased revenue due to a higher DTV adoption rate softened the impact.

Cable broadband's growth momentum was underpinned by a steady cable internet subscriber increase.

momo

momo's online shopping revenue retained a strong YoY growth rate, while the TV home shopping business failed to boost its revenue due to the lack of product differentiations.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT$bn	1Q13	4Q12	1Q12	QoQ	YoY
EBITDA	**7.46**	**7.65**	**7.58**	**-3%**	**-2%**
- CBG	5.53	5.64	5.72	-2%	-3%
- EBG	0.91	0.98	0.75	-7%	21%
- HBG	0.82	0.82	0.81	1%	2%
-momo & others	0.20	0.22	0.31	-9%	-34%
Margin	**28.1%**	**29.0%**	**30.6%**	**-0.9ppts**	**-2.5ppts**
- CBG	31.8%	32.7%	34.7%	-0.9ppts	-2.9ppts
- EBG	35.0%	36.5%	28.7%	-1.5ppts	+6.3ppts
- HBG	53.2%	52.8%	53.3%	+0.4ppts	-0.1ppts
-momo & others	4.0%	4.5%	7.3%	-0.5ppts	-3.4ppts
D&A	**2.47**	**2.49**	**2.40**	**-1%**	**3%**
- CBG	1.98	2.01	1.96	-1%	1%
- EBG	0.25	0.25	0.22	0%	14%
- HBG	0.16	0.15	0.14	3%	13%
-momo & others	0.08	0.08	0.08	-8%	-7%
EBIT	**4.99**	**5.15**	**5.18**	**-3%**	**-4%**
- CBG	3.54	3.63	3.76	-2%	-6%
- EBG	0.66	0.73	0.53	-10%	24%
- HBG	0.66	0.66	0.67	0%	-1%
-momo & others	0.12	0.14	0.22	-10%	-44%

EBITDA Analysis

Our healthy revenue YoY growth more than compensated for more smartphone bundle sales and their related marketing activities in 1Q13. The 3% YoY dip in CBG's EBITDA arose from adding more 3G base stations.

EBG's 1Q13 EBITDA YoY growth largely resulted from expense discipline.

HBG continued benefiting from its operating leverage in 1Q13, despite revenue pressure from the lowered CATV subscription fees.

momo's EBITDA contraction was a reflection of its aggressiveness in gaining market share in the virtual channels.

The sequential EBITDA declines in CBG and EBG were associated with a lower base of network related cost, as well as a lower telecom service revenue in 1Q13 due to seasonality.

Table 3. Non-operating Item

NT$bn	1Q13	4Q12	1Q12	QoQ	YoY
Non-Operating	**(0.28)**	**(0.27)**	**(0.19)**	**6%**	**51%**
-Net Interest Revenue (Expense)	(0.07)	(0.07)	(0.07)	-6%	-11%
- Write-off Loss	(0.24)	(0.21)	(0.11)	17%	125%
-Others	0.02	0.01	(0.01)	191%	NM

Non-Operating Item Analysis

The YoY increase in non-operating expense came from a higher asset write-off loss in 1Q13.

III. Income Statement Analysis

Table 4. Income Statement

NT$bn	1Q13	4Q12	1Q12
Revenue	**26.56**	**26.39**	**24.76**
Telecom Service[1]	14.54	14.83	14.66
Handset Sales	4.95	4.69	4.07
Revenue (residual value)	**25.85**	**25.72**	**23.91**
Telecom Service	16.15	16.32	15.83
Handset Sales	2.63	2.54	2.05
Operating Cost	**16.87**	**16.65**	**15.36**
Operating Expense	**4.70**	**4.58**	**4.22**
EBITDA	7.46	7.65	7.58
EBITDA (residual value)	**6.75**	**6.99**	**6.73**
Operating Income	**4.99**	**5.15**	**5.18**
Non-op. Income (Expense)	(0.28)	(0.27)	(0.19)
Pre-tax Income	4.70	4.89	4.99
(Less Tax)	(0.85)	(0.83)	(0.85)
Net Income	**3.81**	**4.00**	**4.05**
EPS (NT$)	1.42	1.49	1.51

1.Combined mobile and fixed-line revenues net of inter-company transactions

Income Statement Analysis

IFRS and fair value method regarding bundle sales have been applied starting 2013. The small dip in EBITDA under the current accounting policy was attributable not only to momo's profit drop but also to a NT$143m less bundle sales revenue adjustments in 1Q13 compared to a year ago.

If the aforementioned adjustments had been excluded, 1Q13 telecom service revenue would have actually grown by 2% YoY on the back of steady increases in the mobile VAS revenue. And the consolidated EBITDA would have remained flattish from a year ago, negatively affected by momo, despite a 2% YoY rise in telecom EBITDA.

Compared to a quarter ago, lower telecom service revenue, as a result of seasonality and regulatory interventions, weighed on our consolidated EBITDA in 1Q13.

Table 5. 1Q13 Consolidated Results vs. Forecast

NT$bn	1Q13	YoY	% of 1Q13 Forecast
Revenue	26.56	7%	99%
Telecom Service[1]	14.54	-1%	99%
Handset Sales	4.95	22%	89%
momo Revenue	5.14	22%	111%
Operating Income	4.99	-4%	111%
Non-op. Income (Expense)	(0.28)	51%	160%
Asset Write-off Loss	(0.24)	125%	235%
Pre-tax Income	4.70	-6%	109%
(Less Tax)	(0.85)	0%	116%
Net Income	3.81	-6%	108%
EPS (NT$)	1.42	-6%	108%
EBITDA	7.46	-2%	107%
EBITDA margin	28.1%	-2.5ppts	

1.Combined mobile and fixed-line revenues net of inter-company transactions

Compared to our 1Q13 guidance, our telecom service revenue / momo revenue met / exceeded their targets, respectively. Although we failed to meet our aggressive handset sales target, we still managed to generate better than expected profits from the handset sales business in the quarter. Therefore, our EBITDA was ahead of our 1Q13 forecast.

Asset write-off losses came in larger than expected in 1Q13 as we pulled in some of the write-off schedule. Having said that, consolidated net income reached 108% of our guidance.

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IV. Cash Flow Analysis

Table 6. Cash Flow

NT$bn	1Q13	4Q12	1Q12
Total Op Sources/(Uses)[1]	**3.94**	**9.68**	**5.05**
Pre-tax Income	4.70	4.22	4.99
Depreciation	2.16	2.18	2.08
Amortization	0.31	0.31	0.33
Changes in Working Capital	(3.59)	2.64	(2.54)
Asset Write-off Add-backs	0.24	0.21	0.11
Other Add-backs	0.12	0.12	0.09
Net Investing Sources/(Uses)	**(4.31)**	**(2.71)**	**(1.84)**
Capex	(3.75)	(2.35)	(1.71)
Divestment (Acquisition)	(0.39)	(0.07)	0.00
Others	(0.17)	(0.29)	(0.13)
Net Financing Sources/(Uses)	**0.25**	**(5.49)**	**(4.28)**
Short-Term Borrowings	0.25	(9.93)	(3.39)
Commercial Paper Payable	0.00	(0.30)	(0.90)
Corporate Bond Payable	0.00	5.00	0.00
Others	0.00	(0.26)	0.00
Net Cash Position Chg.	**(0.12)**	**1.48**	**(1.08)**

1. Inclusive of cash flow for cash management.
2. It is a consolidated net income, not pre-tax income.

Cash Flow Analysis

In 1Q13, operating cash inflow was down, due to an increase in accounts receivable and inventory and a decrease in accounts payable.

Net investing cash outflow in 1Q13 was NT$4.31bn, of which NT$3.75bn was for cash capex. In addition, a total of NT$0.39bn increase in long-term investments consisted of 1) a capital injection to our 32.5%-owned Kbro Media and 2) capital calls from our 49.9%-held Taipei New Horizon.

In terms of financing activities in 1Q13, the net cash inflow of NT$0.25bn was due to an increase in short-term borrowings. In addition, a 5-year NT$5.8bn straight corporate bond with a coupon rate of 1.29% was issued on April 25.

Table 7. Capex & FCF

NT$bn	1Q13	4Q12	1Q12
Cash Capex	**3.75**	**2.35**	**1.71**
- Mobile	1.22	1.66	1.06
- Fixed-line	2.40	0.33	0.36
- Cable MSO	0.11	0.32	0.27
- momo	0.02	0.04	0.03
% of Revenue	**14%**	**9%**	**7%**
Free Cash Flow	**0.19**	**7.33**	**3.34**

Capex and Free Cash Flow Analysis

1Q13 cash capex was up to NT$3.75bn, mainly due to the NT$2.12bn payments of IDC (internet data center) construction cost made in 1Q13 being delayed from 2012.

With the spike in cash capex related to the new IDC, free cash flow came in at NT$0.19bn, lower than a year ago.

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V. Balance Sheet Analysis

Table 8. Balance Sheet

NT$bn	1Q13	4Q12	1Q12
Total Assets	**104.42**	**100.41**	**96.42**
Current Assets	26.21	24.87	20.60
- Cash & Cash Equivalents	7.11	7.22	5.62
- Accounts Receivable	12.80	12.69	10.48
- Inventories	3.48	2.57	2.48
- Other Current Assets	2.82	2.39	2.02
Non- current Assets	78.21	75.54	75.81
- Long-Term Investment	3.43	3.06	2.58
- Property and Equipment	42.47	40.59	40.96
- Other Non-current Assets	32.31	31.89	32.28
Liabilities	**42.76**	**42.77**	**36.81**
Current Liabilities	29.67	29.95	29.44
- ST Debt/Commercial Paper Payable	7.42	7.16	9.61
- Other Current Liabilities	22.25	22.79	19.83
Non-current Liabilities	13.09	12.82	7.37
- Long-Term Borrowings	9.00	9.00	4.00
- Deferred Income Tax Liability	2.35	2.12	1.79
- Other Non-current Liabilities	1.74	1.70	1.58
Shareholders' Equity	**61.66**	**57.64**	**59.60**
-Paid-in Capital	34.21	34.21	34.21
-Capital Surplus	12.43	12.43	12.43
-Legal Reserve	18.06	18.06	16.72
-Special Reserve	0.00	0.00	0.82
-Un-appropriated Earnings	7.91	7.91	7.95
-Treasury Shares	(31.08)	(31.08)	(31.08)
-Retained Earnings & Others*	20.12	16.10	18.56

* Including YTD profits, minority interests and other equity items

Balance Sheet Analysis

Cash balance was stable compared to a quarter ago.

The YoY increase in accounts receivable was mainly reflecting the accumulative net revenue additions for bundle sales under the fair value method.

The inventory level rose both YoY and QoQ, arising from more handset procurements.

The net PP&E balance consists of $31.7bn in mobile, $8.3bn in fixed network, $2bn in cable-TV assets and $0.5bn in momo.

The QoQ decline in other current liabilities was due to a lower accounts payable level as a result of more smartphone payments made in the quarter.

Un-appropriated earnings increased to NT$7.91bn from NT$1.33bn, the balance at the end of 2012 under R.O.C GAAP, due to the adjustments from adopting IFRS-fair value method starting 2013.

Table 9. Ratios

	1Q13	4Q12	1Q12
Current Ratio	88%	83%	70%
Interest Coverage (x)	59.8	58.8	58.8
Net Debt (Cash) to Equity	15%	15%	13%
Net Debt (Cash) to EBITDA (x)	0.30	0.29	0.26
ROE (annualized)	25%	28%	28%
ROA (annualized)	15%	16%	17%

Ratio Analysis

1Q13 financial ratios regarding solvency ability were stable.

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VII. Management Remark

Key Message

Our efforts in committing resources over a wider range of areas continues to pay off as reflected in the 2% YoY EBITDA growth of the telecom business, when compared to our peers on a like-for-like basis. We will continue our endeavors to strengthen our market position and are confident in achieving our goals for the year.

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Products and Services

- TWM acquired exclusive agency rights to the popular 3D mobile SLG (Simulation Game), "Red Cliff in the era of Three Kingdoms"(赤壁三國), for the areas of Taiwan, Macau and Hong Kong and launched an Android version on its mobile game platform, myPlay1, through Google Play and matchApps (TWM's app store) in 1Q13.
- TWM exclusively introduced BlackBerry Z10, Samsung Grand Duos, Nokia Lumia 720 and 520 and Sony Xperia Sola for the quarter.

Awards and Recognition

- Recognized for its excellence in Corporate Governance, Taiwan Mobile was the first in the industry to be selected as a member of the DJSI (Dow Jones Sustainability Indices, the world's first and most widely used global sustainability benchmarks) Emerging Markets.
- TWM won the internationally renowned Swiss SGS Qualicert certification for the quality of its direct store channel and customer service system.